

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 6245**

**BILL NUMBER:** HB 1059

**NOTE PREPARED:** Jan 26, 2010

**BILL AMENDED:** Jan 25, 2010

**SUBJECT:** Property Tax Billing.

**FIRST AUTHOR:** Rep. VanDenburgh

**FIRST SPONSOR:** Sen. Kenley

**BILL STATUS:** As Passed House

**FUNDS AFFECTED:** X **GENERAL**  
**DEDICATED**  
**FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** (Amended) This bill provides that, with certain exceptions, provisional bills are required rather than optional if the county auditor fails to deliver the abstract for that assessment date to the county treasurer before March 16 of the year following the assessment date. It provides that, subject to adjustments prescribed by the Department of Local Government Finance, each installment of the provisional statement is equal to 50% of the tax liability that was payable in the same year as the assessment date for the property for which the provisional statement is issued.

*Request for Property Tax Distribution:* The bill also entitles a taxing unit to interest generated by the county on property tax collections if the county treasurer fails to meet the deadline for compliance with a request for advance distribution of the collections.

**Effective Date:** (Amended) Upon passage.

**Explanation of State Expenditures:** (Revised) Under this bill, the Department of Local Government Finance (DLGF) may prescribe standards for processing provisional statements including a method of calculating the taxes due when the county's abstract or other information is not complete. The agency should be able to implement this requirement assuming near customary agency staffing and resource levels.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:** Most counties transmit a single mailing each year containing bills for both installments of property taxes. Counties that send provisional bills must send bills in two mailings (the initial bill and the final reconciling statement). Under this proposal some counties that would not have elected to issue a provisional bill would now have to do so. These counties would in effect have to mail two tax

statements, thereby doubling the processing costs of sending out tax bills (the cost to prepare and send a tax statement is estimated at approximately \$1.00 per mailing). On the other hand, the use of provisional tax bills in many counties could reduce or eliminate the cost of short-term borrowing.

**Explanation of Local Revenues:** (Revised) Under current law, a county may elect to send out provisional property tax statements to its taxpayers if it did not complete the abstract of its property by March 15<sup>th</sup> of the tax payment year. The abstract is prepared when tax rates are certified and tax bills are computed. Provisional bills are based on 100% of the previous year's taxes. When the county completes its abstract, the county sends a reconciling statement in the amount of the actual tax liability minus the amount they paid under the provisional bill. If the actual tax is less than the amount paid under the provisional bill, the taxpayer would be issued a refund.

If the county treasurer determines that it is possible to send the reconciling statements by October 10<sup>th</sup>, the treasurer may currently request permission from the DLGF to issue the reconciling statement as a replacement for the second installment of provisional taxes.

For taxes payable in 2010 and after, this bill makes the issuing of provisional statements mandatory if the county abstract cannot be delivered on time. However, the county may, at its discretion, elect to send a single provisional bill (with both May and November installments). The May installment would be for 50% of the previous year's taxes (note that the previous year's taxes of real property may be recalculated to take into account new construction or damage to the property). The November installment would be for either the remainder of the current year's taxes (if the reconciling statement is issued in lieu of the second installment of provisional taxes), or for 50% of the previous year's taxes if the abstract still has not been completed.

Assuming that many counties could issue the reconciling statement in lieu of the second installment of property taxes, few refunds would have to be issued in those counties. However, if the reconciling statement is delivered after payment of both installments of the provisional bill, then the county will have to issue refunds to correct any overpayments.

Under this bill, the revenue stream for those counties whose regular tax bills were going to be late would be more consistent as counties would, at a minimum, be guaranteed the previous year's taxes. In many counties this could restore normal cash flow and reduce or eliminate the cost of short-term borrowing for local civil taxing units and school corporations.

*Request for Property Tax Distribution:* Under current law, the county treasurer has up to 30 days to comply with a written request from a taxing unit for an advance distribution of property tax collections. Under this bill, if the county auditor is late in transferring the funds, the requesting taxing unit is entitled to interest on the unpaid balance. The amount of interest would be the same as it would be when the auditor is late under current law, and would cover the period from the date the county treasurer receives the request to when the funds were transferred to the taxing unit.

**State Agencies Affected:** DLGF.

**Local Agencies Affected:** County auditors; County treasurers.

**Information Sources:**

**Fiscal Analyst:** David Lusan, 317-232-9592.